

# Wisconsin Corporation Franchise and Income Tax Form 5 Instructions

## ALERT

The legislature did not update the Internal Revenue Code for 2001. Therefore, federal laws enacted during 2000 do not apply for Wisconsin. The Internal Revenue Code as of December 31, 1999 remains in effect for Wisconsin. Some of the federal laws enacted in 2000 which do not apply for Wisconsin include:

- 1) The repeal of foreign sales corporation (FSC) treatment and the exclusion for extraterritorial income. See pages 4 and 7.
- 2) The deduction rules and termination date for expensing environmental remediation costs. See page 7.
- 3) The special rules and termination date for corporate contributions of computer technology and equipment. See page 7.
- 4) The commercial revitalization deduction and section 179 expensing for qualified expenditures in designated renewal communities. See page 7.
- 5) The additional section 179 expensing of property in an empowerment zone. See page 8.
- 6) The reduction in basis of stock received in certain tax-free exchanges by the amount of any liability that is assumed by a controlled corporation in exchange for the stock. See page 8.
- 7) The special rules for securities futures contracts. See page 8.
- 8) The Installment Tax Correction Act which retroactively restored the installment method of accounting for accrual method taxpayers. See page 8.

## New for 2001 . . .

- **“Doing Business” Includes Ownership Interest in Partnership or Limited Liability Company**

For taxable years beginning on or after January 1, 2001, the definition of “doing business” includes owning, directly or indirectly, a general or limited partnership interest in a partnership or an interest in a limited liability company treated as a partnership that does business in Wisconsin regardless of the percentage of ownership. Corporations “doing business” in Wisconsin are required to file franchise or income tax returns. See page 1.

- **Endangered Resources Donation**

Corporations are allowed to designate any amount of refund due or additional payment for the endangered resources program. See page 10.

## Important . . .

- **Electronic Funds Transfer Mandated for Certain Tax Payments**

Corporations whose tax payments meet certain amounts are required to pay or deposit estimated tax payments and tax due by Electronic Funds Transfer (EFT). See page 3.

- **Extensions of time to file**

An extension of time to file a federal income tax return automatically extends the time for filing the Wisconsin return to 30 days after the federal due date, if the corporation attaches a copy of the federal extension to the Wisconsin return it files. See page 3.

- **Wisconsin use tax**

Corporations that purchase taxable tangible personal property or taxable services for storage, use, or consumption in Wisconsin without payment of a state sales or use tax are subject to a Wisconsin use tax. See page 12.

## For More Information . . .

- **Visit the Department of Revenue’s Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us)**

At this site you may obtain additional information about the Department of Revenue and answers to the most frequently asked questions. You may also download or request tax forms and publications.

- **Subscribe to the Department of Revenue’s publications**

The **Wisconsin Tax Bulletin** is a quarterly newsletter that provides information about new Wisconsin tax laws, court decisions, and interpretations of law. Subscriptions cost \$7 per year.

The **Topical and Court Case Index** gives references to Wisconsin statutes, administrative rules, **Wisconsin Tax Bulletin** tax releases and private letter rulings, publications, and court decisions. The index is published in December, with an addendum provided in May. The annual cost is \$18, plus sales tax.

To order the bulletin or index, send a check made payable to “Document Sales” to the Wisconsin Department of Administration, P.O. Box 7840, Madison, WI 53707-7840.

## Don’t Forget . . .

- **Use the preprinted label**
- **Fill in your federal employer ID number**
- **Fill out the form completely**
- **Attach a copy of your federal return and any other required forms, schedules, or statements**
- **Attach a copy of any extension**
- **Sign the return**



## Wisconsin Business Activity Codes

Using the list below, determine the proper code to enter in item D, Wisconsin Business Activity Code, on page 1 of your return. Enter the code which reflects the corporation's major business activity (the activity which accounted for the largest percentage of total receipts).

### AGRICULTURE, FORESTRY, AND FISHING

0100 Agricultural Production – Crops  
 0200 Agricultural Production – Livestock  
 0710 Soil Preparation Services  
 0720 Crop Services  
 0740 Veterinary Services  
 0750 Animal Services, except Veterinary  
 0760 Farm Labor and Management Services  
 0780 Landscape and Horticultural Services  
 0800 Forestry  
 0900 Fishing, Hunting, and Trapping

### MINING

1000 Metal Mining  
 1200 Coal Mining  
 1300 Oil and Gas Extraction  
 1400 Nonmetallic Minerals, except Fuels

### CONSTRUCTION

1500 General Building Contractors  
 1610 Highway and Street Construction  
 1620 Heavy Construction, except Highway  
 1710 Plumbing, Heating, Air Conditioning  
 1720 Painting and Paper Hanging  
 1730 Electrical Work  
 1740 Masonry, Stonework, and Plastering  
 1750 Carpentry and Floor Work  
 1760 Roofing, Siding, Sheet Metal Work  
 1770 Concrete Work  
 1780 Water Well Drilling  
 1790 Miscellaneous Special Trade Contractors

### MANUFACTURING

#### Food and Kindred Products

2010 Meat Products  
 2020 Dairy Products  
 2030 Preserved Fruits and Vegetables  
 2040 Grain Mill Products  
 2050 Bakery Products  
 2060 Sugar and Confectionery Products  
 2070 Fats and Oils  
 2080 Beverages  
 2090 Miscellaneous Food and Kindred Products

#### Tobacco, Textile, and Apparel Products

2100 Tobacco Products  
 2200 Textile Mill Products  
 2300 Apparel and Other Textile Products

#### Lumber and Wood Products

2410 Logging  
 2420 Sawmills and Planing Mills  
 2430 Millwork, Plywood, Structural Members  
 2440 Wood Containers  
 2450 Wood Buildings and Mobile Homes  
 2490 Miscellaneous Wood Products  
 2500 Furniture and Fixtures  
 2600 Paper and Allied Products

#### Printing and Publishing

2710 Newspapers  
 2720 Periodicals  
 2730 Books  
 2740 Miscellaneous Publishing  
 2750 Commercial Printing  
 2760 Manifold Business Forms  
 2770 Greeting Cards  
 2780 Blankbooks and Bookbinding  
 2790 Printing Trade Service

#### Other Manufacturing

2800 Chemicals and Allied Products  
 2900 Petroleum and Coal Products  
 3000 Rubber and Miscellaneous Plastic Products  
 3100 Leather and Leather Products  
 3200 Stone, Clay, and Glass Products  
 3300 Primary Metal Industries  
 3400 Fabricated Metal Products  
 3500 Industrial Machinery and Equipment  
 3570 Computer and Office Equipment  
 3600 Electronic and Other Electric Equipment  
 3700 Transportation Equipment  
 3800 Instruments and Related Products  
 3900 Miscellaneous Manufacturing Industries

### TRANSPORTATION AND PUBLIC UTILITIES

**Transportation**  
 4000 Railroad Transportation  
 4100 Local and Interurban Passenger Transit  
 4200 Trucking and Warehousing  
 4400 Water Transportation  
 4500 Transportation by Air  
 4600 Pipelines, except Natural Gas  
 4700 Transportation Services

### Communications

4810 Telephone Communication  
 4820 Telegraph and Other Communications  
 4830 Radio and Television Broadcasting  
 4840 Cable and Other Pay TV Services  
 4890 Other Communication Services

### Electric, Gas, and Sanitary Services

4910 Electric Services  
 4920 Gas Production and Distribution  
 4930 Combined Utility Services  
 4940 Water Supply  
 4950 Sanitary Services  
 4960 Steam and Air Conditioning Supply  
 4970 Irrigation Systems

### WHOLESALE TRADE

#### Wholesale Trade – Durable Goods

5010 Motor Vehicles, Auto Parts, and Supplies  
 5020 Furniture and Home Furnishings  
 5030 Lumber and Construction Materials  
 5040 Professional and Commercial Equipment

5050 Metals and Minerals, except Petroleum  
 5060 Electrical Goods  
 5070 Hardware, Plumbing, and Heating Equipment

5080 Machinery, Equipment, and Supplies  
 5090 Miscellaneous Durable Goods

#### Wholesale Trade – Nondurable Goods

5110 Paper and Paper Products  
 5120 Drugs, Drug Proprietaries, and Sundries  
 5130 Apparel, Piece Goods, and Notions  
 5140 Groceries and Related Products  
 5150 Farm-Product Raw Materials  
 5160 Chemicals and Allied Products  
 5170 Petroleum and Petroleum Products  
 5180 Beer, Wine, and Distilled Beverages

5190 Miscellaneous Nondurable Goods

### RETAIL TRADE

#### Building Materials and Garden Supplies

5210 Lumber and Other Building Supplies  
 5230 Paint, Glass, and Wallpaper Stores  
 5250 Hardware Stores  
 5260 Retail Nurseries and Garden Stores  
 5270 Mobile Home Dealers

#### General Merchandise Stores

5310 Department Stores  
 5330 Variety Stores  
 5390 Miscellaneous General Merchandise Stores

#### Food Stores

5410 Grocery Stores  
 5420 Meat and Fish Markets  
 5430 Fruit and Vegetable Markets  
 5440 Candy, Nut, and Confectionery Stores  
 5450 Dairy Products Stores  
 5460 Retail Bakeries  
 5490 Miscellaneous Food Stores

#### Automotive Dealers and Service Stations

5510 New and Used Car Dealers  
 5520 Used Car Dealers  
 5530 Auto and Home Supply Stores  
 5540 Gasoline Service Stations  
 5550 Boat Dealers  
 5560 Recreational Vehicle Dealers  
 5570 Motorcycle Dealers  
 5590 Automotive Dealers, not elsewhere classified

#### Apparel and Accessory Stores

5600 Apparel and Accessory Stores  
**Furniture and Home Furnishings Stores**  
 5710 Furniture and Home Furnishings

Stores  
 5720 Household Appliance Stores  
 5730 Radio, TV, and Computer Stores

#### Eating and Drinking Places

5812 Eating Places  
 5813 Drinking Places

#### Miscellaneous Retail

5910 Drug Stores and Proprietary Stores  
 5920 Liquor Stores  
 5930 Used Merchandise Stores  
 5941 Sporting Goods and Bicycle Shops  
 5942 Book Stores  
 5943 Stationery Stores  
 5944 Jewelry Stores  
 5945 Hobby, Toy, and Game Shops  
 5946 Camera and Photographic Supply Stores

5947 Gift, Novelty, and Souvenir Shops  
 5948 Luggage and Leather Goods Stores  
 5949 Sewing, Needlework, and Piece Goods Stores

5961 Catalog and Mail Order Houses  
 5962 Merchandising Machine Operators  
 5963 Direct Selling Establishments  
 5983 Fuel Oil Dealers  
 5984 Liquefied Petroleum Gas Dealers  
 5989 Fuel Dealers, not elsewhere classified

5992 Florists  
 5993 Tobacco Stores and Stands  
 5994 News Dealers and News Stands  
 5995 Optical Goods Stores  
 5999 Miscellaneous Retail Stores, not elsewhere classified

### FINANCE, INSURANCE, AND REAL ESTATE

6000 Depository Institutions  
 6100 Nondepository Institutions  
 6200 Security and Commodity Brokers  
 6300 Insurance Carriers  
 6400 Insurance Agents, Brokers, and Service

6510 Real Estate Operators and Lessors  
 6530 Real Estate Agents and Managers  
 6540 Title Abstract Offices  
 6550 Subdividers and Developers  
 6700 Holding and Other Investment Offices

### SERVICES

**Hotels and Other Lodging Places**  
 7010 Hotels and Motels  
 7020 Rooming and Boarding Houses  
 7030 Camps and Recreational Vehicle Parks  
 7040 Membership-Basis Organization Hotels

**Personal Services**  
 7210 Laundry, Cleaning, and Garment Services  
 7220 Photographic Studios, Portrait  
 7230 Beauty Shops  
 7240 Barber Shops  
 7250 Shoe Repair and Shoeshine Parlors

7260 Funeral Services and Crematories  
 7291 Tax Return Preparation Services  
 7299 Miscellaneous Personal Services, not elsewhere classified

#### Business Services

7310 Advertising  
 7320 Credit Reporting and Collection  
 7330 Mailing, Reproduction, Stenographic  
 7342 Disinfecting and Pest Control  
 7349 Building Maintenance Services, not elsewhere classified  
 7350 Miscellaneous Equipment Rental and Leasing  
 7360 Personnel Supply Services

#### Computer and Data Processing Services

7371 Computer Programming Services  
 7372 Prepackaged Software  
 7373 Computer Integrated Systems Design  
 7374 Data Processing and Preparation  
 7375 Information Retrieval Services  
 7376 Computer Facilities Management  
 7377 Computer Rental and Leasing  
 7378 Computer Maintenance and Repair

7379 Computer Related Services  
**Miscellaneous Business Services**

7381 Detective and Armored Car Services  
 7382 Security Systems Services  
 7383 News Syndicates  
 7384 Photo Finishing Laboratories  
 7389 Business Services, not elsewhere classified

#### Auto Repair, Services, and Parking

7510 Automotive Rentals, No Drivers  
 7520 Automobile Parking  
 7530 Automotive Repair Shops  
 7540 Automotive Services, except Repair

#### Miscellaneous Repair Services

7620 Electrical Repair Shops  
 7630 Watch, Clock, and Jewelry Repair  
 7640 Reupholstery and Furniture Repair  
 7690 Miscellaneous Repair Shops

#### Motion Pictures

7810 Motion Picture Production and Services  
 7820 Motion Picture Distribution and Services  
 7830 Motion Picture Theaters  
 7840 Video Tape Rental

#### Amusement and Recreational Services

7910 Dance Studios, Schools, and Halls  
 7920 Producers, Orchestras, Entertainers  
 7930 Bowling Centers  
 7940 Commercial Sports  
 7991 Physical Fitness Facilities  
 7992 Public Golf Courses  
 7993 Coin-Operated Amusement Devices

7996 Amusement Parks  
 7997 Membership Sports and Recreation Clubs

7999 Amusement and Recreation, not elsewhere classified

#### Health Services

8010 Offices and Clinics of Medical Doctors  
 8020 Offices and Clinics of Dentists  
 8030 Offices of Osteopathic Physicians  
 8040 Offices of Other Health Practitioners

8050 Nursing and Personal Care Facilities

8060 Hospitals  
 8070 Medical and Dental Laboratories  
 8080 Home Health Care Services  
 8090 Health and Allied Services, not elsewhere classified

#### Other Services

8100 Legal Services  
 8210 Elementary and Secondary Schools  
 8220 Colleges and Universities  
 8230 Libraries  
 8240 Vocational Schools  
 8290 Schools and Educational Services, not elsewhere classified

8320 Individual and Family Services  
 8330 Job Training and Related Services  
 8350 Child Day Care Services  
 8390 Social Services, not elsewhere classified

8400 Museums, Botanical, and Zoological Gardens  
 8610 Business Associations  
 8620 Professional Organizations  
 8630 Labor Organizations  
 8640 Civic and Social Organizations  
 8650 Political Organizations  
 8660 Religious Organizations

8690 Membership Organizations, not elsewhere classified  
 8710 Engineering and Architectural Services  
 8720 Accounting, Auditing, and Bookkeeping  
 8730 Research and Testing Services  
 8740 Management and Public Relations  
 8900 Services, not elsewhere classified

### PUBLIC ADMINISTRATION

9100 Executive, Legislative, and General Government  
 9200 Justice, Public Order, and Safety

**Purpose of Form 5**

Corporations whose entire business income is attributable to Wisconsin use Form 5 to report their income, gains, losses, deductions, and credits and to compute their franchise or income tax liability.

**Definition of Corporation**

“Corporation” includes corporations, publicly traded partnerships treated as corporations in section 7704 of the Internal Revenue Code (IRC), limited liability companies (LLCs) treated as corporations under the Internal Revenue Code, joint stock companies, associations, common law trusts, and all other entities treated as corporations under IRC section 7701.

A single-owner entity that is disregarded as a separate entity under IRC section 7701 is disregarded as a separate entity for Wisconsin franchise or income tax purposes, and its owner is subject to the tax on or measured by the entity’s income.

**Franchise or Income Tax**

**Franchise tax** applies to –

- All domestic corporations (those organized under Wisconsin law) and
- Foreign corporations (those not organized under Wisconsin law) doing business in Wisconsin, except where taxation is exempted by statute or barred by federal law.

The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities is included in income under the franchise tax law.

**Income tax** applies only to foreign corporations which are not subject to the franchise tax and which own property in Wisconsin or whose business in Wisconsin is exclusively in foreign or interstate commerce. The tax rate is 7.9%. Income from obligations of the United States government and its instrumentalities isn’t included in income under the income tax law.

**Recycling Surcharge**

The recycling surcharge applies to corporations with gross receipts from all activities of \$4 million or more for taxable years beginning on or after January 1, 2000. Corporations that must file Wisconsin franchise or income tax returns must pay the recycling surcharge, with certain exceptions. The surcharge doesn’t apply to:

- Domestic corporations that don’t have any business activities in Wisconsin.
- Foreign corporations that don’t have nexus with Wisconsin.
- Corporations that have less than \$4,000,000 of gross receipts from all activities. “Gross receipts from all activities” means gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income for Wisconsin franchise or income tax purposes.
- Nuclear decommissioning trust funds.

For more information refer to Publication 400, *Wisconsin’s Recycling Surcharge*.

**Who Must File**

- Corporations organized under Wisconsin law.
- Foreign corporations licensed to do business in Wisconsin.
- Unlicensed corporations doing business in Wisconsin.
- Foreign corporations owning, directly or indirectly, a general or limited partnership interest in a partnership that does business in Wisconsin, regardless of the percentage or ownership.
- Foreign corporations owning, directly or indirectly, an interest in a limited liability company which is treated as a partnership and that does business in Wisconsin, regardless of the percentage of ownership.
- Foreign corporations that are the sole owner of an entity that is disregarded as a separate entity under IRC section 7701 and does business in Wisconsin.

**Who Is Not Required to File**

- Corporations and associations exempt under sec. 71.26(1), Wis. Stats., except those with (a) unrelated business taxable income as defined in IRC section 512, or (b) income derived from a health maintenance organization or a limited service health organization. This includes insurers exempt from federal income taxation under IRC section 501(c)(15), town mutuals organized under Chapter 612, Wis. Stats., foreign insurers, domestic insurers engaged exclusively in life insurance business, domestic mortgage insurers, some cooperatives, and religious, scientific, educational, benevolent, or other corporations or associations of individuals not organized or conducted for profit.
- Corporations that are completely inactive in and outside Wisconsin and have filed Form 4H.
- Credit unions that don’t act as a public depository for state or local government funds and have filed Form CU.

**Which Form to File**

- Form 4 Corporations (other than tax-option corporations) reporting under the apportionment or separate accounting methods.
- Form 4H Corporations that have been completely inactive in and outside Wisconsin for the entire taxable year and don’t anticipate any activity in subsequent years. No other return is required until a corporation is activated, reactivated, or requested to file by the Department of Revenue.  
**Note:** Foreign corporations licensed to transact business in Wisconsin that have no property or activity in Wisconsin but are active outside Wisconsin may not file Form 4H. They must file Form 4, 5, or 5S but need only enter “No business transacted in Wisconsin” on the front of the return and attach a copy of their federal return.
- Form 4I Insurance companies, health maintenance organizations, and limited service health organizations.
- Form 4T Exempt corporations and associations of individuals that have unrelated business taxable income as defined in IRC section 512.
- Form 5 Corporations (other than tax-option corporations) whose entire business income is attributable to Wisconsin.
- Form 5E Corporations that have elected and qualified to be S corporations for federal tax purposes but are electing not to be tax-option corporations for Wisconsin franchise or in-

	come tax purposes. In addition, such corporations must file Form 4 or 5.
Form 5R	Federal S corporations that elected not to be tax-option corporations for Wisconsin and subsequently are revoking their "opt-out" elections. In addition, such corporations must file Form 5S.
Form 5S	Tax-option (S) corporations.
Form 5S-1	Tax-option (S) corporations that are subject to the additional tax on built-in gains or claim a manufacturer's sales tax credit. File this form with Form 5S.
Form CU	Credit unions that don't act as a public depository for state or local government funds. These credit unions are exempt from taxation by Wisconsin. Once a Form CU has been filed, no other return must be filed unless requested by the Department of Revenue or the credit union subsequently acts as a public depository.
Sch. CU-1	Credit unions that act as a public depository. File this schedule with Form 4.
Sch. DC	Corporations claiming a Wisconsin development zones credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
Sch. FC	Corporations claiming a Wisconsin farmland preservation credit. File this schedule with Form 4, 4I, 4T, or 5.
Sch. FT	Corporations claiming a Wisconsin farmland tax relief credit. File this schedule with Form 4, 4I, 4T, or 5.
Sch. HR	Corporations claiming a Wisconsin historic rehabilitation credit. File this schedule with Form 4, 4I, 4T, 5, or 5S.
Sch. R	Corporations claiming a Wisconsin research credit. File this schedule with Form 4, 4I, 4T, or 5.
Sch. Z-1	Corporations claiming a Wisconsin manufacturer's sales tax credit passed through from a partnership. File this schedule with Form 4, 4I, 4T, 5, or 5S.

### How to Obtain Forms

If you need forms or publications, you may:

- call (608) 266-1961
- write to the Forms Request Office, Wisconsin Department of Revenue, P.O. Box 8951, Madison, WI 53708-8951
- use your fax telephone to call the department's Fax-A-Form Retrieval System at (608) 261-6229
- download forms and publications from the department's Internet web site at [www.dor.state.wi.us](http://www.dor.state.wi.us)
- use the Tax Forms and Publications Request Form on the department's Internet web site
- call or visit any Department of Revenue office

### How to Obtain Assistance

If you need help in preparing a corporation franchise or income tax return, you may:

- call (608) 266-2772 [TTY (608) 267-1049]
- write to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906
- send a FAX to (608) 267-0834
- e-mail your question to [corp@dor.state.wi.us](mailto:corp@dor.state.wi.us)
- call or visit any Department of Revenue office

### Period Covered by Return

The return must cover the same period as the corporation's federal income tax return. A 2001 Wisconsin return must be filed by a corporation for calendar year 2001 or a fiscal year that begins in 2001. A fiscal year may end only on the last day of a month. The period covered by the return can't exceed 12 months.

However, corporations reporting on a 52 to 53 week period for federal tax purposes must file on the same reporting period for Wisconsin. The Department of Revenue will consider the reporting period as ending on the last day of the month closest to the end of the 52 to 53 week period for purposes of due dates, extensions, and assessments of interest and penalties.

### Change in Accounting Period

Any change in accounting period made for federal purposes must also be made for Wisconsin purposes. Attach to the Wisconsin return, for the first taxable year for which the change applies, a copy of the Internal Revenue Service's notice of approval of accounting period change if the IRS's approval is required or an explanation of the change if the IRS's approval isn't required.

### Accounting Methods

In computing net income, the method of accounting must be the same method used in computing federal net income. However, if the method used for federal purposes isn't authorized under the Internal Revenue Code in effect for Wisconsin, use a method authorized under the Internal Revenue Code in effect for Wisconsin.

A corporation entitled to use the installment method of accounting must take the unreported balance of gain on installment obligations into income in the taxable year of their distribution, transfer, or acquisition by another person or for the final taxable year for which it files or is required to file a Wisconsin franchise or income tax return, whichever year occurs first.

### Change in Accounting Method

A change in accounting method made for federal purposes must also be made for Wisconsin purposes, unless the change isn't authorized under the Internal Revenue Code in effect for Wisconsin. Adjustments required federally as a result of a change made while the corporation is subject to Wisconsin taxation must also be made for Wisconsin purposes, except in the last year that a corporation is subject to taxation by Wisconsin it must take into account all remaining adjustments required. Attach to the Wisconsin return, for the first taxable year for which the change applies, either a copy of the application for change in accounting method filed with the Internal Revenue Service and a copy of the IRS's consent if the IRS's approval is required or an explanation of the change.

### Elections

As explained above, a corporation can't make different elections for federal and Wisconsin purposes with respect to accounting periods and accounting methods, unless the federal method isn't permitted under the Internal Revenue Code in effect for Wisconsin. In situations where a corporation has an option under the Internal Revenue Code and the IRS doesn't consider that option to be a method of accounting, a different election may be made for Wisconsin than that made for federal purposes. If federal law specifies the manner or time period in which an election must be made, those requirements also apply for Wisconsin purposes.

If different elections are made, adjustments are required on the Wisconsin return on Schedule V or Schedule W to account for any differences. Differences in elections could also result in a different contribution deduction since that deduction is limited to 10% of federal taxable income determined for Wisconsin purposes. This would also require an entry on either Schedule V or W.

### When to File

Generally, a corporation must file its franchise or income tax return by the 15th day of the 3rd month following the close of its taxable year. If a return is filed late, without an extension, the corporation may be subject to penalties and interest.

Returns for short taxable years (periods of less than 12 months) are due on or before the federal due date. A corporation that becomes, or ceases to be, a member of an affiliated group and as a result must file two short period returns for federal purposes must also file two short period returns for Wisconsin. The Wisconsin returns are due at the same time as the federal returns. Each short period is considered a taxable year, the same as for federal purposes.

**Caution:** The due date for paying franchise or income tax is explained below.

### Extension of Time to File

Any extension allowed by the Internal Revenue Service for filing the federal return automatically extends the Wisconsin due date to 30 days after the federal extended due date. *You don't need to submit either a copy of the federal extension or an application for a Wisconsin extension to the department by the original due date of your return.* However, you must attach a copy of the federal extension to the Wisconsin return that you file.

If you aren't requesting a federal extension, but you need additional time for Wisconsin, you may request a 30-day extension by submitting Wisconsin Form IC-830, Application for Extension of Time to File, to the department on or before the original due date of the return.

If your original federal due date is after the 15th day of the 3rd month following the close of the taxable year, you may request a Wisconsin extension to the federal due date by submitting Wisconsin Form IC-830, Application for Extension of Time to File, to the department by the original due date of the Wisconsin return. For example, a foreign corporation having no office or place of business in the United States may request a 3-month extension and a cooperative may request a 6-month extension.

### Where to File

Mail your franchise or income tax return to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.

### When to Pay Franchise or Income Tax and Recycling Surcharge

The franchise or income tax and recycling surcharge must be paid by the 15th day of the 3rd month following the close of the taxable period, *regardless of the due date of the return.* Corporations may be required to make quarterly estimated payments to prepay their franchise or income tax and recycling surcharge.

An extension for filing the return doesn't extend the time to pay the franchise or income tax and recycling surcharge. Interest will be charged on the tax and surcharge not paid by the 15th day of the 3rd month following the close of the taxable year. You can avoid interest charges during the extension period by paying the tax and surcharge due by that

date. Submit your payment with Wisconsin Form 4-ES, Corporation Estimated Tax Voucher. If you have received a set of vouchers from the department, use the 5th voucher to make the estimated tax and surcharge extension payment.

During the extension period, 12% annual interest generally applies to the unpaid tax and surcharge. However, if the sum of the net tax and surcharge shown on the return is \$500 or more, 12% annual interest applies only to 10% of the net tax and surcharge. Interest of 18% per year applies to the remainder of the unpaid tax and surcharge. See Form 4U, Part II.

### Payment of Estimated Tax

If a corporation's franchise or income tax due (including the recycling surcharge) is \$500 or more, it generally must make quarterly estimated tax payments using Wisconsin Form 4-ES. Failure to make required estimated tax payments may result in an interest charge. If a corporation filed Form 4-ES for the current year, it will automatically receive estimated tax vouchers before the first payment of the next year's tax is due.

A corporation that overpaid its estimated tax may apply for a refund **before** filing its tax return if its overpayment is (1) at least 10% of the expected Wisconsin tax liability and (2) at least \$500. To apply, file Wisconsin Form 4466W, Corporation Application for Quick Refund of Overpayment of Estimated Tax, after the end of the taxable year and before the corporation files its tax return. **Do not** file Form 4466W at the same time as your tax return.

A corporation that has a tax due when filing its tax return as a result of receiving a "quick refund" will be charged 12% annual interest on the amount of unpaid tax from the date the refund is issued to the earlier of the 15th day of the 3rd month after the close of the taxable year or the date the tax liability is paid. Any tax that remains unpaid after the unextended due date of the tax return continues to be subject to 18% or 12% annual interest, as appropriate.

### Electronic Funds Transfer Mandated for Certain Tax Payments

Section Tax 1.12, Wis. Adm. Code, mandates the use of electronic funds transfer (EFT) for taxpayers whose tax payments meet certain amounts. Corporations are required to pay or deposit corporate income and franchise estimated tax payments and tax due by EFT when the net tax less refundable credits on the prior year's tax return was \$40,000 or more. Corporate taxpayers that are mandated to pay by EFT are notified by the department and have 90 days to register for EFT after notification. The first EFT tax payment is due on the first tax due date following the ninety day registration period.

Taxpayers not required to pay by EFT may elect to do so. Corporations interested in electing to pay income and franchise estimated taxes, sales tax, withholding tax, fuel tax, excise tax, unemployment insurance and individual estimated taxes by EFT, may call (608) 264-9918 or write to Wisconsin Department of Revenue, PO Box 8912, Madison, WI 53708-8912.

### Information Returns That May Be Required

Form 8	Report of stock transfers.
Form 9b	Report of rents, royalties, and miscellaneous compensation paid to individuals. (Note: You may use federal Forms 1099 instead of Forms 9b. Mail Forms 1099 to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.)

## General Instructions (continued)

If you must file federal information returns on magnetic media and you file at least 250 Forms 9b with Wisconsin, you generally must file Forms 9b on magnetic media. For more information, call (608) 267-3327 or write to the Office of Information Systems, Wisconsin Department of Revenue, P.O. Box 8903, Madison, WI 53708-8903.

### Final Return

If the corporation liquidated during the taxable year, check the box on the front of the return marked "Final return - corporation dissolved." Attach a copy of your plan of liquidation along with a copy of federal Form 966 to the Wisconsin return. Generally, the final return is due on or before the federal due date. In most cases, this is the 15th day of the 3rd month after the date the corporation dissolved. The tax is payable by the 15th day of the 3rd month after the date of dissolution, regardless of the due date of the final return.

### Internal Revenue Service Adjustments

If any of your federal tax returns are adjusted by the Internal Revenue Service and the adjustments affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net business loss carryforward, or a Wisconsin capital loss carryforward, you must report the adjustments to the Department of Revenue within 90 days after they become final.

Send a copy of the final federal audit reports and any associated amended Wisconsin returns to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908. If submitting a federal audit report without an amended return, mail it to the Audit Bureau, Wisconsin Department of Revenue, P.O. Box 8906, Madison, WI 53708-8906. Don't attach these items to the tax return for the current year.

### Amended Returns

File an amended return to correct a tax return as you originally filed it or as it was later adjusted by an amended return, a claim for refund, or an office or field audit.

If you file an amended federal return and the changes affect the Wisconsin net tax payable, the amount of a Wisconsin credit, a Wisconsin net business loss carryforward, or a Wisconsin capital loss carryforward, you must file an amended Wisconsin return with the Department of Revenue within 90 days after filing the amended federal return.

To file an amended Wisconsin return for 2001, use Form 4 or 5, as appropriate, and check the "amended return" box on the front of the return. To amend a return for 1996 or prior years, you should use Wisconsin Form 4X. Attach an explanation of any changes made. Show computations in detail. If the change involves an item of income, deduction, or credit that you were required to support with a form or schedule on your original return, attach the corrected form or schedule. Also attach worksheets, similar to those on page 11, showing how you figured your refund or additional amount owed.

You may file an amended return only after the corporation has filed a complete original return. A claim for refund must be filed within 4 years of the unextended due date of the return. However, a claim for refund to recover all or part of any tax or credit paid as a result of an office or field audit must be filed within 2 years after such an assessment. That assess-

ment must have been paid and must not have been protested by filing a petition for redetermination. See section Tax 2.12, Wisconsin Administrative Code, for more information.

Send amended returns to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908. Don't attach amended returns to the tax return for the current year.

### Capital Losses

If a corporation has a net capital loss, the loss must be carried to other taxable years and deducted from capital gains in those years, as provided in IRC section 1212. However, a corporation can't carry back a loss to taxable years before 1987. Losses that can't be carried back may be carried forward 5 years.

### Personal Holding Company

The intangible income of a personal holding company is assigned to its state of incorporation. "Personal holding company" has the meaning prescribed in IRC section 542 in effect on December 31, 1974.

### Foreign Sales Corporations (FSCs)

For federal income tax purposes, P.L. 106-519 repeals the FSC provisions and creates an exclusion for extraterritorial income, effective October 1, 2000, with transitional provisions. Wisconsin did not adopt the provisions of P.L. 106-519. A FSC continues to compute its net income as provided under IRC sections 921 to 927 in effect on December 31, 1999. There is no Wisconsin exclusion for extraterritorial income.

### Interest Charge Domestic International Sales Corporations (IC-DISCs)

IC-DISCs have no special status for Wisconsin tax purposes. An IC-DISC that is a viable corporation with substance and has nexus in Wisconsin is taxed like any other corporation. However, if an IC-DISC doesn't carry on any substantial business activities and does nothing to earn the income that it reports, its net income is allocated to the corporation that earned the income.

### Urban Transit Companies

Certain urban transit companies are subject to a special tax under sec. 71.39, Wis. Stats. Contact the department for further information.

### Consolidated Returns

Wisconsin law doesn't permit corporations that are members of an affiliated group, as defined in IRC section 1504, to file consolidated returns. Each corporation organized under Wisconsin law, licensed to do business in Wisconsin, or doing business in Wisconsin must file a separate Wisconsin franchise or income tax return. In addition, each corporation must make its own estimated tax payments.

### Penalties for Not Filing or Filing Incorrect Returns

If you don't file a franchise or income tax return that you are required to file, or if you file an incorrect return due to negligence or fraud, interest and penalties may be assessed against you. The interest rate on delinquent taxes is 18% per year. Civil penalties may be as much as 100% of the amount of tax not reported on the return. Criminal penalties for filing a false return include a fine of up to \$10,000 and imprisonment.

**You must complete page 1 of Form 5 and make appropriate entries in the schedules on page 2 to explain the adjustments to federal income.** (The numbering corresponds with the line numbers on Form 5, page 1, unless otherwise indicated.)

**Caution:** The Internal Revenue Service hasn't finalized the 2001 federal corporation tax forms at the time of this printing. Therefore, federal line numbers referred to on Form 5 and in these instructions may change.

### Rounding Off to Whole Dollars

You may round cents to the nearest whole dollar by eliminating amounts less than 50 cents and increasing amounts from 50 cents through 99 cents to the next higher dollar.

■ **Period Covered** – File the 2001 return for calendar year 2001 and fiscal years that begin in 2001. For a fiscal year, a 52 to 53 week period, or a short-period return, fill in the taxable year beginning and ending dates in the taxable year space at the top of the form.

■ **Name and Address** – If the front cover of your booklet has a mailing label with the corporation's name and address, remove the label and place it in this area. Make any necessary corrections on the label.

If you didn't receive a booklet with a label, print or type the corporation's name and address. Indicate a change in the corporation's name or address from that shown on last year's Wisconsin return filed by checking the appropriate box.

Corporations that change their name must also notify the Department of Financial Institutions to recognize the change. Write to the Corporation Section, Division of Corporate and Consumer Services, Department of Financial Institutions, P.O. Box 7846, Madison, WI 53707-7846 or call (608) 261-9555.

■ **A. Federal Employer Identification Number** – Enter the corporation's federal employer identification number (EIN). If you haven't yet applied for a federal EIN, you may do so by filing federal Form SS-4 with the Internal Revenue Service. (Corporations reporting federally to the Kansas City Service Center may obtain an EIN by calling (816) 823-7777.)

■ **B. Seller's Permit or Use Tax Number** – Enter the corporation's Wisconsin seller's permit, use tax, or consumer's use tax number.

■ **C. Wisconsin Employer Identification Number** – Enter the corporation's Wisconsin employer identification (withholding) number.

■ **D. Wisconsin Business Activity Code** – Enter the corporation's Wisconsin business activity code from the table on back of the front cover of this booklet. Don't enter the federal business activity code.

■ **E. First Return, Final Return, Short Period – Change in Accounting Period, and Short Period – Stock Purchase or Sale** – If this is the first year that you are filing a Wisconsin return because the corporation wasn't in existence or didn't do business in Wisconsin in prior years, check the "First return" box. If the corporation ceased to exist or withdrew from Wisconsin during the year, check the "Final return" box. Indicate that a short period return is being filed due to a change in the corporation's accounting period or a stock purchase or sale by checking the appropriate box.

■ **F. State and Year of Incorporation** – Enter the state under whose laws the corporation is organized and the year of incorporation.

■ **G. Amended Return** – If this is an amended return, check the box. Circle the number in front of the line(s) that you are changing, and at-

tach a detailed explanation of the changes made, including any supporting form or schedule.

For example, if you are amending the manufacturer's sales tax credit, circle the "9" before "Nonrefundable credits" and attach a corrected Schedule Z along with an explanation of the change.

**IMPORTANT** – The Wisconsin corporate franchise and income tax law is federalized; that is, based on the federal Internal Revenue Code. Although federal taxable income is indicated as the starting point on the Wisconsin return, Wisconsin net income must be determined by using the Internal Revenue Code as amended to December 31, 1999, with certain exceptions.

Federal law changes enacted after December 31, 1999, generally won't apply for Wisconsin purposes unless subsequently adopted by the Wisconsin Legislature, except for depreciation and amortization as noted below.

For property placed in service in 2001, you may compute depreciation or amortization under the same method as for federal purposes. Otherwise, compute depreciation under the Internal Revenue Code as amended to December 31, 1999.

In addition, you must modify federal taxable income for other differences between federal and Wisconsin law. The major differences are explained in the instructions for Schedule V (Additions) and Schedule W (Subtractions).

Show adjustments necessary to account for any differences between the amounts reportable for federal and Wisconsin purposes on Schedule V or Schedule W, as appropriate.

■ **Line 1. Federal Taxable Income** – Enter the amount from federal Form 1120, line 28, or Form 1120-A, line 24. This is federal taxable income before the net operating loss deduction and special deductions.

**Note:** Show losses by putting the amount in parentheses.

### Exceptions

#### 1. RICs, REMICs, REITs, and FASITs

For corporations that qualify as regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, or financial asset securitization investment trusts under the Internal Revenue Code, enter the net income or loss from federal Form 1120-RIC, line 26; Form 1066, Schedule J, line 4 plus line 9; Form 1120-REIT, line 22; or the appropriate line from Form 1120. Net income for these corporations means federal taxable income as determined under the Internal Revenue Code as of December 31, 1999, with three exceptions:

- Depreciation and amortization on property located outside Wisconsin and placed in service on or after January 1, 1983, and before January 1, 1987, were to be determined under the December 31, 1980, Internal Revenue Code.

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing their present method of depreciation. Basis differences resulting from the use of different federal and state depreciation methods are accounted for when the assets are disposed of in a taxable transaction.

- IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes.
- Depreciation for residential real property and property used in farming (if the corporation's Wisconsin gross farm receipts or sales exceeded \$155,000 for the 1986 taxable year), acquired in the 1986 taxable year, but before January 1, 1987, must be determined under the December 31, 1980, Internal Revenue Code.

The only adjustments that RICs, REMICs, REITs, and FASITs must make to federal taxable income to arrive at Wisconsin net income are those necessary to account for the depreciation and amortization differences described above and any difference in the Wisconsin and federal basis of any asset disposed of in a taxable transaction. (Note: If any amendments made to the Internal Revenue Code after December 31, 1999, affect the computation of such corporations' federal taxable income, additional adjustments may be necessary.) All other adjustments listed in Schedules V and W don't apply to RICs, REMICs, REITs, and FASITs.

**Note:** If a wholly-owned REIT subsidiary isn't treated as a separate entity under IRC section 856(i) and all of its assets, liabilities, and items of income and loss are treated as attributes of the REIT, that same treatment applies for Wisconsin purposes.

## 2. S Corporations That Aren't Tax-Option Corporations

For corporations that are treated as S corporations federally but elect not to be Wisconsin tax-option corporations, enter the ordinary income or loss from federal Form 1120S, line 21. These corporations determine their Wisconsin net income under the Wisconsin corporate franchise and income tax law (secs. 71.22 and 71.26(2) and (3), Wis. Stats.), the same as any other corporation. Therefore, adjustments are required on Schedules V and W for separately stated items of income and expense and any other differences between the federal computation of S corporation items of income and deduction and the Wisconsin computation of a regular (C) corporation's net income.

■ **Line 2. Additions to Federal Income** – Complete Schedule V, page 2, and enter the total.

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### Schedule V

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*Line 1.* Enter interest income received on state and municipal obligations and any other interest income that is exempt from federal income tax and isn't included in federal taxable income, such as interest on obligations of the government of Puerto Rico.

**Exception:** Corporations subject to the Wisconsin income tax rather than the franchise tax shouldn't add back interest income that is exempt from state income tax under either Wisconsin or federal law. This includes interest income received on Wisconsin municipal housing authority bonds, Wisconsin municipal redevelopment authority bonds, Wisconsin community development authority bonds, and bonds issued by the government of Puerto Rico.

*Line 2.* Enter taxes imposed by Wisconsin, any other state, and the District of Columbia that are value-added taxes, single business taxes, or taxes on or measured by net income, gross income, gross receipts, or capital stock and were deducted in computing federal taxable income.

*Line 3.* Enter environmental tax (imposed under IRC section 59A) and windfall profit tax (imposed under IRC section 4986) deducted in computing federal taxable income.

*Line 4.* Enter expenses deducted in computing federal taxable income that are directly or indirectly related to nontaxable income. Refer to the specific instructions for Schedule W, line 4, for an explanation of "non-

taxable income." Examples of expenses related to nontaxable income include taxes, interest, and administrative fees related to the production of such income.

Also include on this line losses deducted in computing federal taxable income from the disposal of assets the gains from which would be nontaxable income if the assets were disposed of at a gain.

*Line 5.* Enter percentage depletion deducted in computing federal taxable income.

**Note:** Cost depletion is deductible for Wisconsin and should be entered on Schedule W, line 6, if not deducted on the federal return.

*Line 6.* Enter the amount by which the federal deduction for depreciation or amortization exceeds the Wisconsin deduction.

For assets first placed into service on or after January 1, 2001, compute depreciation or amortization under either the Internal Revenue Code in effect for the year for which the return is filed or the Internal Revenue Code as amended to December 31, 1999, at the taxpayer's option.

An asset placed in service before 2001 must continue to be depreciated or amortized under the method allowable for Wisconsin purposes for the year in which it was placed in service.

Many differences in Wisconsin and federal depreciation and amortization existed before January 1, 1987, including the following:

- IRC section 168(f)(8), relating to a special rule for leases (safe harbor), didn't apply for Wisconsin purposes. See *Wisconsin Tax Bulletin* 84 (October 1993, page 22) for further details about Wisconsin's treatment of safe harbor leases.
- Telegraph, pipeline, gas, electric, steam, and telephone companies (defined under secs. 76.02(4), Wis. Stats. (1983-84), 76.02(5b), 76.28(1)(e)1., 3., and 4., and 76.38(1)(c), Wis. Stats. (1985-86), except for specialized common carriers) had to compute depreciation under the Internal Revenue Code in effect on December 31, 1980, for assets acquired during the period beginning with the 1981 taxable year and ending on December 31, 1986.

**Note:** The *Beatrice Cheese, Inc.* decision described in item e below doesn't apply to these companies.

c. Waste treatment and pollution abatement plants and equipment could be deducted or amortized pursuant to sec. 71.04(2b) or (2g), Wis. Stats. (1985-86).

d. Alternative energy systems could be deducted or amortized pursuant to sec. 71.04(16), Wis. Stats. (1985-86).

e. The federal accelerated cost recovery system (ACRS) wasn't allowable for Wisconsin purposes for property located outside Wisconsin and first placed in service from January 1, 1983, through December 31, 1986. Instead, depreciation was to be computed under a method permitted by the Internal Revenue Code as of December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.

However, the Wisconsin Tax Appeals Commission declared this provision unconstitutional in *Beatrice Cheese, Inc. vs. Wisconsin Department of Revenue* (February 24, 1993). Therefore, corporations have the option of (1) claiming the same depreciation deduction as for federal purposes, or (2) continuing their present method of depreciation. Basis differences resulting from the use of different federal and state depreciation methods are accounted for when the assets are disposed of in a taxable transaction. For more information, see the tax release in *Wisconsin Tax Bulletin* 84 (October 1993, page 18).

f. Wisconsin and federal depreciation may have been different in the case of investment credit property. A corporation electing to claim an investment tax credit for federal income tax purposes could either (1) claim the credit and reduce the depreciable basis of the property by one-half of such credit, or (2) in the case of regular investment tax credit property, claim a reduced investment credit and not reduce the depreciable basis of the property.

Corporations that claimed an investment tax credit on their federal return (and reduced the federal basis of the assets) weren't required to reduce the basis of the investment credit property for Wisconsin purposes and could either (1) claim the same depreciation for Wisconsin as that claimed for federal purposes (except for item e above) and receive a deduction for the basis difference in the year the property is disposed of, pursuant to sec. 71.04(15)(e), Wis. Stats. (1985-86), or (2) claim depreciation on the asset's full (unreduced) basis for Wisconsin. (The second method required separate depreciation records for Wisconsin purposes.)

g. Intangible drilling costs incurred after the 1980 taxable year are deductible for federal purposes under IRC section 263(c). Before the 1987 taxable year, the amount of depletion, depreciation, or write-off allowable for Wisconsin purposes was limited to that allowable under the Internal Revenue Code in effect on December 31, 1980, or, in the alternative, the Internal Revenue Code applicable to the calendar year 1972.

h. For the following property acquired in the 1986 taxable year, but before January 1, 1987, depreciation must be computed under the December 31, 1980, Internal Revenue Code: (1) residential real property, and (2) property used in farming, as defined in IRC section 464(e)(1), if the corporation's Wisconsin gross farm receipts or sales exceeded \$155,000 for the 1986 taxable year.

i. For federal tax purposes, corporations may elect to expense, under IRC section 179, a portion of the cost of "section 179" property placed in service after the 1981 calendar year. For Wisconsin purposes, before the 1987 taxable year, corporations (except regulated investment companies and real estate investment trusts) couldn't claim this expense. Instead, depreciation was allowable on the cost basis of the property, without reduction for the amount the corporation may have elected to expense under section 179 for federal purposes.

For assets placed in service before January 1, 1987, these differences in depreciation (items a through i) continue to exist. Therefore, the depreciation deduction may be different for Wisconsin and federal purposes.

*Line 7.* Enter the amount by which the federal basis of assets disposed of exceeds the Wisconsin basis. If more than one asset is disposed of, you may combine the bases of the assets so that you need only one entry either on this line or Schedule W, line 8.

For example, a corporation sold the following assets during the current taxable year:

	Federal Basis	Wisconsin Basis	Difference
Truck	\$ 1,500	\$ 500	\$ 1,000
Equipment	1,000	2,000	(1,000)
Building	20,000	10,000	10,000
Net Difference			<u>\$ 10,000</u>

The amount to enter on Schedule V, line 7, is \$ 10,000.

If the Wisconsin bases of the assets had exceeded the federal bases, an entry would be made on Schedule W, line 8, instead.

*Line 8.* Enter the sum of the corporation's manufacturer's sales tax credit computed (from Schedule Z, line 10) plus the credits passed through from other entities (the total from Schedule Z-1, column e).

*Line 9.* Enter the research credits computed (from 2001 Wisconsin Schedule R, line 15 or 28 and line 32).

*Line 10.* Enter the development zones credit computed (from 2001 Wisconsin Schedule DC, line 3) to the extent that the amount isn't included in federal income.

*Line 11.* Enter the community development finance credit computed (from Schedule C1, line 5).

*Line 12.* Enter the amount of farmland preservation credit received during the taxable year that isn't included in federal income.

*Line 13.* Enter the amount of farmland tax relief credit received during the taxable year that isn't included in federal income.

*Line 14.* Enter any other additions to federal income. These could include:

- Federal capital loss carryovers (if previously deducted for Wisconsin).
- Adjustments required as a result of changes made to the Internal Revenue Code after December 31, 1999, which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of income and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.
- Adjustments required as a result of the FSC Repeal & Extraterritorial Income Exclusion Act of 2000. See page 4.
- For federal tax purposes, corporations are entitled to an increased deduction for charitable contributions of computer technology or equipment to elementary and secondary schools. Section 165 of P.L. 106-554 extended the expiration date for these donations and extended the deduction to include public libraries. This increased deduction was not adopted for Wisconsin and must be added to federal taxable income.
- For federal tax purposes, a taxpayer may elect to treat any qualified environmental remediation expenditure, which is otherwise chargeable to a capital account, as a deductible expense for the taxable year in which it is paid or incurred. Section 162 of P.L. 106-554 extended the expiration date for the election to expense such expenditures to December 31, 2003, and eliminated the requirement that such expenditures be limited to sites in targeted areas. Wisconsin did not adopt P.L. 106-554. Therefore, adjustments required due to the timing of expensing as opposed to depreciating these costs must be added or subtracted from federal taxable income as appropriate.
- For federal tax purposes, taxpayers in areas designated as renewal communities are eligible for a commercial revitalization deduction equal to either 50% of qualifying expenditures for a taxable year in which a qualified building was placed in service, or all of the qualifying expenditures amortized over a 10-year period. In addition, taxpayers may expense in the year acquired, under section 179 of the IRC, an additional \$35,000 of business property in a renewal community. Tax benefits are effective beginning January 1, 2002. The revitalization deduction, additional section 179 expensing, and other tax benefits were not adopted for Wisconsin.

**Line-by-Line Instructions** (continued)

- For federal tax purposes the federal empowerment zone program was extended through December 31, 2009. The amount of property placed in a zone that may be expensed in the year acquired, under IRC section 179, was increased to \$35,000, effective for property placed in service in taxable years beginning after 2001. For Wisconsin purposes, the special tax benefits generally will not be available after December 21, 2000.
- For federal tax purposes, rules relating to the assumption of liabilities by a controlled corporation in a tax-free exchange were modified. The law generally provides that if the basis of stock received by a transferor as part of a tax-free exchange with a controlled corporation exceeds the fair market value of the stock, then the basis of the stock received is reduced by the amount of any liability that is assumed in exchange for the stock. The law is effective for assumptions of liabilities on or after October 19, 1999. This provision was not adopted for Wisconsin tax purposes.
- For federal tax purposes, effective December 21, 2000, a new provision in law defines the tax treatment of securities futures contracts. Gain or loss from the sale or exchange of a securities futures contract is generally considered gain or loss from the sale or exchange of the underlying security. The gain or loss will generally be short term and the application of wash sale rules, short sale rules and straddle rules apply to securities futures contracts. Wisconsin did not adopt the securities futures contract provisions of federal law.
- For federal tax purposes, the Installment Tax Correction Act (P.L. 106-519) retroactively restored the installment method of accounting for accrual method taxpayers. The installment method allows taxpayers to recognize income from the disposition of property when payments are received. Wisconsin did not adopt P.L. 106-519. Therefore taxpayers must recognize the gain from the sale of property in the year of the sale, rather than when the income is received.

■ **Line 4. Subtractions From Federal Income** – Complete Schedule W, page 2, and enter the total.

**Schedule W**

*Line 1.* Enter, from Schedule Y, line 4, dividends received which are included in the amount on Form 5, line 3, and qualify for deduction for Wisconsin. See the Schedule Y instructions on page 9.

*Line 2.* Enter income from controlled foreign corporations under Subpart F of the Internal Revenue Code as reported on Form 1120, Schedule C, line 14.

*Line 3.* Enter foreign dividend gross-up reported on Form 1120, Schedule C, line 15.

*Line 4.* Enter nontaxable income included in computing federal taxable income. Attach a schedule to your return showing the payors and amounts of nontaxable income and explaining why that income isn't taxable.

- Interest, dividends, and capital gains from the disposition of intangible assets are nontaxable if –
  - (a) the operations of the payor are not unitary with those of the payee, and
  - (b) the payor and payee are not related as parent company and subsidiary or affiliates and the investment activity from which the income is received is not an integral part of a unitary business.

**Note:** Such income may also be nontaxable under the principles of the U.S. Supreme Court decision on June 15, 1992, in *Allied-Signal v. Director, Div. of Taxation*. The court ruled that New Jersey could

not constitutionally apportion the gain realized by Bendix (predecessor to Allied-Signal) from the sale of its stock interest in ASARCO Inc. because the investment was passive and did not serve an operational function.

- For corporations subject to the Wisconsin income tax rather than the franchise tax, nontaxable income includes interest on United States government obligations.

**Note:** Expenses related to nontaxable income aren't deductible and must be added to federal taxable income on Schedule V, line 4.

*Line 5.* Enter foreign taxes paid or accrued during the year that aren't deducted in computing federal taxable income and aren't included on Schedule W, line 3.

*Line 6.* Enter cost depletion that wasn't deducted in computing federal taxable income.

**Note:** Percentage depletion isn't deductible for Wisconsin and must be added to federal taxable income on Schedule V, line 5.

*Line 7.* Enter the amount by which the Wisconsin deduction for depreciation or amortization exceeds the federal deduction for depreciation or amortization. Refer to the instructions for Schedule V, line 6, for a detailed discussion of depreciation and amortization.

*Line 8.* Enter the amount by which the Wisconsin basis of assets disposed of exceeds the federal basis. See the instructions for Schedule V, line 7, for an example.

*Line 9.* Enter wages not deductible in computing federal income as a result of being used in computing the federal work opportunity tax credit.

*Line 10.* Enter research expenses not deductible in computing federal income as a result of being used in computing the federal credit for increasing research activities.

*Line 11.* Enter any other subtractions from federal income. These could include:

- Adjustments required as a result of changes made to the Internal Revenue Code after December 31, 1999, which don't apply for Wisconsin.
- Adjustments required as a result of making different elections for Wisconsin and federal purposes.
- Separately stated items of expense and adjustments for differences between the federal and Wisconsin treatment of any items of an S corporation that opts out of Wisconsin tax-option status.
- Development zones investment credit recaptured because the property is disposed of or ceases to be qualified property before the end of the recapture period.
- Adjustments required as a result of the FSC Repeal & Extraterritorial Income Exclusion Act of 2000. See page 4.
- Modifications to expensing of qualified environmental remediation expenditures. Refer to the instructions for Schedule V, line 14, for more details.
- Modifications to the deduction and additional section 179 expensing of commercial revitalization expenditures. Refer to the instructions for Schedule V, line 14, for more details.
- Modifications due to additional section 179 expensing of property placed in a federal empowerment zone. Refer to the instructions for Schedule V, line 14, for more details.

- Adjustments due to the federal law that modifies the rules relating to the assumption of liabilities by a controlled corporation in a tax-free exchange. Refer to the instructions for Schedule V, line 14, for more details.
- Adjustments due to the federal provisions for treatment of securities futures contracts. Refer to the instructions for Schedule V, line 14, for more details.
- Adjustments required as a result of the Installment Correction Act. Refer to the instructions for Schedule V, line 14, for more details.

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**Schedule Y**

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Dividends are deductible for Wisconsin purposes if received during the year from payor corporations that meet the following requirements:

1. The dividend must be paid on common stock, and
2. The corporation receiving the dividend must have owned at least 70% of the total combined voting stock of the payor corporation for the entire taxable year.

**Note:** “Dividends received” means gross dividends minus any taxes on those dividends paid to a foreign nation and claimed as a deduction for Wisconsin purposes.

*Line 1.* List the names of the payors and the dividends received which meet the above requirements and have been included on Form 5, line 1, or on Schedule V.

*Line 3.* Enter taxes paid to a foreign nation on dividends listed on line 1, which were claimed as a deduction in computing federal taxable income or are being included on Schedule W, line 5.

Dividends received from certain subsidiary corporations may be non-taxable. See the instructions for Schedule W, line 4. Don’t include such dividends on Schedule Y.

■ **Line 6. Wisconsin Net Business Loss Carryforward** – Enter the total Wisconsin net business loss carryforward from Form 4BL, line 29. The instructions for Form 4BL are printed on the form.

**Exception:** Regulated investment companies, real estate mortgage investment conduits, real estate investment trusts, and financial asset securitization investment trusts must enter zero.

■ **Line 7. Wisconsin Net Income (Loss)** – Subtract line 6 from line 5. If line 5 shows a loss, or the loss carryforward on line 6 exceeds the net income on line 5, report the net loss on line 7.

■ **Line 8. Gross Tax** – Enter 7.9% of the Wisconsin net income reported on line 7.

■ **Line 9. Nonrefundable Credits** – Complete Schedule C1, page 2, and enter the available credit.

For purposes of determining the carryover (if any) of each credit, they must be applied against gross tax in the following order:

1. Manufacturer’s sales tax credit
2. Research expense credit
3. Development zones research credit
4. Research facilities credit
5. Community development finance credit
6. Development zones jobs credit
7. Development zones sales tax credit
8. Development zones investment credit

9. Development zones location credit
10. Development zones day care credit
11. Development zones environmental remediation credit
12. Development zones credit
13. Supplement to federal historic rehabilitation tax credit

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**Schedule C1**

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*Line 1.* Manufacturer’s Sales Tax Credit – Enter the manufacturer’s sales tax credit from Schedule Z, line 13.

Corporations engaged in manufacturing in Wisconsin may claim a credit. See the Schedule Z instructions on page 10.

*Line 2.* Research Expense Credit – Enter the research expense credit from Schedule R, line 30.

Corporations that increase qualified research expenses in Wisconsin may claim a credit.

*Line 3.* Development Zones Research Credit – Enter the development zones research credit carryover from Schedule DC, line 58.

*Line 4.* Research Facilities Credit – Enter the research facilities credit from Schedule R, line 34.

Corporations that incur expenses to construct and equip new research facilities in Wisconsin or to expand existing facilities in Wisconsin may claim a credit.

*Line 5.* Community Development Finance Credit – Enter the available community development finance credit.

Corporations that make contributions to the Wisconsin Housing and Economic Development Authority and, in the same year, purchase common stock in the Wisconsin Community Development Finance Company may claim a credit.

The credit is nonrefundable and is equal to 75% of the purchase price of the stock, but may not exceed 75% of the amount that was contributed to the Wisconsin Community Development Finance Authority. Any unused credit may be offset against tax liabilities of the subsequent years, up to 15 years.

*Line 6.* Development Zones Jobs Credit – Enter the development zones jobs credit carryover from Schedule DC, line 68.

*Line 7.* Development Zones Sales Tax Credit – Enter the development zones sales tax credit carryover from Schedule DC, line 71.

*Line 8.* Development Zones Investment Credit – Enter the development zones investment credit carryover from Schedule DC, line 74.

*Line 9.* Development Zones Location Credit – Enter the development zones location credit carryover from Schedule DC, line 77.

*Line 10.* Development Zones Day Care Credit – Enter the development zones day care credit carryover from Schedule DC, line 80.

*Line 11.* Development Zones Environmental Remediation Credit – Enter the development zones environmental remediation credit carryover from Schedule DC, line 83.

*Line 12.* Development Zones Credit – Enter the development zones credit from Schedule DC, line 95.

A special tax credit, based on expenditures for environmental remediation and job creation or retention, may be available for corporations doing

**Line-by-Line Instructions** (continued)

business in Wisconsin development, development opportunity, or enterprise development zones. The Wisconsin Department of Commerce administers the Wisconsin development zones programs. For more information about the programs, write to the Division of Community Development, Wisconsin Department of Commerce, P.O. Box 7970, Madison, WI 53707-7970 or call (608) 266-3751.

**Note:** The above credits (items 1 through 12) must be included as income in the year computed.

*Line 13.* Supplement to the Federal Historic Rehabilitation Tax Credit – Enter the supplement to the federal historic rehabilitation tax credit from Schedule HR, line 7.

Corporations that rehabilitate certified historic structures located in Wisconsin and used for business purposes may claim a credit. The State Historical Society of Wisconsin administers the historic preservation program. For more information about this program, write to the Division of Historic Preservation, State Historical Society of Wisconsin, 816 State Street, Madison, WI 53706-1488 or call (608) 264-6500.

*Line 14.* Add lines 1 through 13. This is the total available nonrefundable credits.

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## Schedule Z

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Corporations that are engaged in manufacturing in Wisconsin may claim a credit for Wisconsin state, county, and baseball and football stadium sales and use taxes paid on fuel and electricity consumed in manufacturing.

In addition, a corporation that owns an interest in a pass-through entity, such as a partnership, which is engaged in manufacturing in Wisconsin may claim its share of the entity's manufacturer's sales tax credit computed for the entity's taxable years beginning on or after January 1, 1998. The pass-through credit may be offset only against the tax imposed on the corporation's share of the entity's net income. Use Schedule Z-1 to figure the allowable credit from pass-through entities.

Manufacturing has the meaning designated in sec. 77.54(6m), Wis. Stats., which states in part that "manufacturing" is the production by machinery of a new article with a different form, use, and name from existing materials by a process popularly regarded as manufacturing.

Manufacturing includes the assembly of finished units of tangible personal property and packaging when it is a part of an operation performed by the producer of the product or by another on his or her behalf and the package or container becomes a part of the tangible personal property as such unit is customarily offered for sale by the manufacturer.

It includes the conveyance of raw materials and supplies from plant inventory to the work point of the same plant, conveyance of work in progress directly from one manufacturing operation to another in the same plant, and conveyance of finished products to the point of first storage on the plant premises. It includes the testing or inspection throughout the production cycle.

Manufacturing does not include storage, delivery to or from the plant, repairing or maintaining facilities, or research and development.

The credit is a nonrefundable credit. To the extent that the credit cannot be used to reduce the tax liability for the current year, it may be offset against the tax liability of the subsequent year and each succeeding year up to 15 years.

*Line 1.* Enter the total cost (including Wisconsin state, county, and baseball and football stadium sales and use taxes) of all fuel and electricity purchased during the taxable year for use in Wisconsin.

*Line 2.* Enter the cost of fuel and electricity included on line 1 (including Wisconsin state, county, and baseball and football stadium sales and use taxes) that wasn't or won't be used for manufacturing. This includes fuel and electricity for heating and lighting office space and warehousing space for raw materials and finished goods and for other nonmanufacturing purposes.

*Line 4.* Enter any county and baseball and football stadium sales and use taxes included on line 3. (The county tax rate is 0.5% (.005) in Wisconsin counties that have adopted the county tax. The baseball stadium tax rate is 0.1% (.001) in Wisconsin counties where the baseball stadium tax applies and the football stadium tax rate is 0.5% (.005) in Brown county.)

*Line 6.* Enter purchases included on line 5 on which no Wisconsin sales or use taxes were paid. An example is the portion of coke purchased without tax by a foundry that becomes an ingredient or component part of a manufactured article.

*Line 10.* Add lines 8 and 9. This is the 2001 manufacturer's sales tax credit based on the corporation's manufacturing activities.

*Line 11.* Enter the amount of manufacturer's sales tax credit passed through from other entities from Schedule Z-1, column f.

**Note:** The amount from line 10 plus the total from Schedule Z-1, column e, must be included on Schedule V, line 8.

*Line 12.* Enter any unused manufacturer's sales tax credit from 1986 through 2000.

■ **Line 10. Net Tax** – Subtract line 9 from line 8. If line 9 is more than line 8, enter zero.

■ **Line 11. Recycling Surcharge** – Enter the greater of \$25 or 3% of the gross tax on line 8, but not more than \$9,800.

**Note:** Domestic corporations that don't have any business activities in Wisconsin, foreign corporations that don't have nexus with Wisconsin, corporations that have less than \$4,000,000 of gross receipts from all activities (as defined on page 1), and nuclear decommissioning trust funds enter zero on line 11.

■ **Line 12. Endangered Resources Donation** - Your donation supports the preservation and management of more than 200 endangered and threatened Wisconsin plants and animals. It helps ensure a future for trumpeter swans, timber wolves, calypso orchids, and Karner blue butterflies, to name a few. It also helps protect Wisconsin's finest remaining examples of prairies, forests, and wetlands.

Support endangered resources in Wisconsin. Fill in line 12 with the amount you wish to donate. Your gift will either reduce your refund or be added to tax due. Or, send a check directly to: Endangered Resources Fund, Department of Natural Resources, PO Box 7921, Madison WI 53707.

■ **Line 14. Estimated Tax Payments** – Enter estimated tax payments made or overpayments applied from prior years' returns, minus any "quick refund" applied for on Form 4466W.

**Note:** You can't claim estimated tax payments that were made by a related corporation.

**Amended Return:** If this is an amended return, compute the tax to enter on line 14 as follows:

Estimated tax payments made for 2001 . . . . . \$ \_\_\_\_\_  
 Plus:  
 Tax carried forward from 2000 . . . . . \_\_\_\_\_  
 Additional tax paid on previous returns  
 filed for 2001 . . . . . \_\_\_\_\_  
 Additional tax assessed by the department  
 for 2001 (whether or not paid) . . . . . \_\_\_\_\_  
 Subtotal . . . . . \$ \_\_\_\_\_  
 Minus:  
 Tax refunded on 2001 Form 4466W . . . . . ( \_\_\_\_\_ )  
 Tax refunded to you on previous returns  
 filed for 2001 . . . . . ( \_\_\_\_\_ )  
 Overpayment from your previously filed  
 2001 return claimed on your 2002 return,  
 if you already filed your 2002 return . . . . . ( \_\_\_\_\_ )  
 Tax previously paid to enter on line 14 . . . . . \$ \_\_\_\_\_

■ **Line 15. Refundable Credits** – Complete Schedule C2, page 2, and enter the total available credit.

**Schedule C2**

*Line 1.* Farmland Preservation Credit – Enter the farmland preservation credit from Schedule FC, line 16.

Corporations organized under the laws of Wisconsin that own and operate Wisconsin farmland subject to agricultural use restrictions in the form of a zoning ordinance or a farmland preservation agreement, as provided by Chapter 91, Wis. Stats., may claim a credit.

*Line 2.* Farmland Tax Relief Credit – Enter the farmland tax relief credit from Schedule FT, line 6.

Corporations organized under the laws of Wisconsin that own farmland located in Wisconsin may claim a credit.

**Note:** The farmland credits must be included in income in the year of receipt.

*Line 3.* Add lines 1 and 2. This is the total available refundable credits.

■ **Line 17. Interest, Penalty, and Late Fee Due** – Enter any interest, penalty, and late fee due from Form 4U, line 17 or 26.

**Amended Return – Refund Claimed:** If you previously were assessed interest for underpayment of estimated taxes, complete an amended Form 4U, Part I, based on the total amounts shown on lines 10 and 11. Enter the difference between the underpayment interest from the amended Form 4U, line 17, and the amount you previously paid on line 17. Show an overpayment in parentheses. Attach Form 4U to your amended return. Otherwise, leave line 17 blank. The department will compute interest on the amount of refund approved.

**Amended Return – Additional Amount Owed:** Use the worksheet below to calculate the interest owed. **Caution:** Additional calculations may be required if your original return previously was amended or adjusted by the department. Otherwise, the department will compute interest on the tax owed.

■ **Line 18. Tax Due** – If the total of lines 13 and 17 is larger than line 16, enter the amount owed. Attach your check to the front of Form 5.

**Computation of Amended Interest, Underpayment Interest, Penalty, and Late Filing Fee Due**

Complete this worksheet if your amended return shows an additional amount due.	(a) 18% Interest	(b) 12% Interest
1 Enter amended tax including surcharge on line a, b, or c, as appropriate:		
a If original return was filed late . . . . .		
b If original return was filed by original or extended due date and amended amount is less than \$500 . . . . .		
c If original return was filed by original or extended due date and amended amount is \$500 or more, enter 90% of amended amount in column a and 10% in column b . . . . .	90%	10%
2 Complete an amended Form 4U, Part I, and enter the amount from line 17 . . . . .		
3 Add lines 1 and 2 . . . . .		
4 Enter payments made through unextended due date (apply first to column a, if applicable) . . . . .		
5 Subtract line 4 from line 3. This is the unpaid tax, surcharge, and underpayment interest subject to interest . . . . .		
6 Interest on amount on line 5 to _____ (the earlier of the extended due date or the date paid) . . . . .		
7 Enter \$30 late filing fee if original return was filed late . . . . .		
8 Enter any 5-25% late filing penalty due on original return . . . . .		
9 Add lines 5, 6, 7, and 8 . . . . .		
10 Enter payments made after unextended due date (apply first to column a, if applicable – date paid _____). Don't include payments entered on line 4 . . . . .		
11 Subtract line 10 from line 9 . . . . .		
12 Interest on unpaid tax, surcharge, and underpayment interest included on line 11 from date on line 6 to _____ (date amended return is filed). Apply payments shown on lines 4 and 10 first to penalties and interest on lines 6, 7, and 8, and then to tax, surcharge, and underpayment interest . . . . .		
13 Add lines 11 and 12, columns a and b . . . . .		
14 Enter additional tax and surcharge computed on amended return . . . . .		
15 Subtract line 14 from line 13. <b>Enter the result on Form 5, line 17</b> . . . . . ➤		

**Line-by-Line Instructions** (continued)

■ **Line 19. Overpayment** – If line 16 is larger than the total of lines 13 and 17, enter the overpayment.

**Note:** If you must recapture development zones investment credit because the property is disposed of or ceases to be qualified property before the end of the recapture period, add the amount from Schedule DC, line 106, to the tax due on line 18 or reduce the overpayment on line 19.

■ **Line 20. 2002 Estimated Tax** – Enter the amount of any overpayment from line 19 that is to be credited to the corporation's 2002 estimated tax. The balance of any overpayment will be refunded.

**Note:** An overpayment shown on a corporation's final return will be refunded to the corporation that made the payments. You cannot claim these payments on the surviving corporation's return in a merger situation.

**Amended Return:** If you have already filed your 2002 return, enter the overpayment that you claimed as a credit on your 2002 return from your previously filed original or amended 2001 return. Otherwise, you may allocate the overpayment from line 19 between line 20 and line 21 as you choose.

■ **Line 22.** Enter total company gross receipts, gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross receipts passed through from other entities, and all other receipts that are included in gross income before apportionment for Wisconsin franchise or income tax purposes.

■ **Line 23.** Enter the requested information from the federal return.

■ **Additional Information Required** – Answer questions 1 through 6 on back of Form 5.

■ **Signatures** – An officer of the corporation must sign the form at the bottom of page 1. If the return is prepared by someone other than an employe of the corporation, the individual who prepared the return must sign the form, by hand, in the space provided for the preparer's signature and furnish the preparing firm's federal employer identification number. A self-employed individual must enter "SSN" and the social security number in the space for the preparer's federal employer identification number.

■ **Attachments** – Attach a copy of each of the following documents:

- Your federal return with all supporting schedules.

If the federal return is a consolidated return, you must –

- (1) enter the parent corporation's federal employer identification number in the space provided, and
- (2) include a breakdown by individual company or attach a copy of the unconsolidated federal return together with all supporting schedules instead of the consolidated return.

- Any other required Wisconsin forms, schedules, or statements. Include a list of your solely owned LLCs.

- Any extension of time to file your return.

**Amended Return:** If this is an amended return, attach an explanation of the changes made and any supporting forms or schedules. Also attach a worksheet showing how you figured your additional refund or additional amount owed. Send the amended return to the Wisconsin Department of Revenue, P.O. Box 8908, Madison, WI 53708-8908.

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## Form UT-5 – Consumer Use Tax Return

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### Who Must File

The state, county, and stadium use tax is payable directly to the state by the purchaser (consumer) when tangible personal property or taxable services are purchased from a retailer who does not or is not authorized to collect the 5% Wisconsin, 0.5% county, or 0.1% baseball stadium or 0.5% football stadium sales and use tax. Complete Form UT-5 to report use tax if –

- You do not hold a seller's permit, use tax registration certificate, or consumer's use tax registration certificate, and
- You infrequently purchase or lease property or services subject to use tax.

If you hold a seller's permit, use tax registration certificate, or consumer's use tax registration certificate, do not use Form UT-5. Instead, report your use tax on your sales and use tax return, Form ST-12.

For more information or forms, call (608) 266-2776 or write to the Compliance Bureau, Wisconsin Department of Revenue, P.O. Box 8902, Madison, WI 53708-8902.